

CENTRAL INTELLIGENCE AGENCY

5 January 1949

INTELLIGENCE MEMORANDUM NO. 112

SUBJECT: Effect of a Communist-dominated China on Southeast Asia.

1. The ascendancy of a Communist-dominated government with authority over all of China will have a profound effect on Southeast Asia (Indochina, Siam, Malaya, Burma, Indonesia, and the Philippines). The threat of such a development has already contributed substantially to serious economic and political unrest in these countries. The Communist triumph in China is a source of encouragement alike to indigenous Communist-led dissident groups throughout the area and to the possessors of legitimate nationalist aspirations. The result will be to prolong and intensify this unrest, to provide an atmosphere favorable to the extension of significant Chinese Communist influence throughout Southeast Asia, and, ultimately, for a further extension of Soviet influence in the Pacific.

Two major lines of exploitation are available to the Chinese Communists. Most immediately, they can be expected to make use of the considerable Chinese minorities which are resident in the area but are bound to the homeland by strong ties, secondly, to develop more direct liaison and stronger alliance with those non-Chinese groups that have been disillusioned by the seeming ambiguities of Western Power policies in the Far East and have developed an ideological affinity for the USSR. At the same time, the present delay in formal accession of the Communists to power in China has given India the opportunity of forming a pan-Asian bloc which may become dangerous to US security interests in SEA.

The crises in China and Indonesia, however different their origins, can have the effect of greatly weakening the position of the US in Southeast Asia. It appears at present that the most promising means of counteraction lies in coordinated and consistent applications of positive, independent, and sympathetic US influence wherever possible.

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NO CHANGE in Class. ☐

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2. Influence of Chinese Minority Groups in Southeast Asia.

Of immediate importance are the Chinese minority groups present in each country of Southeast Asia. These groups, largely concentrated in Malaya, Indonesia, and Siam, and economically dominant in small-scale commercial enterprises throughout the area, total about 6 $\frac{1}{2}$ million people. They are a major economic and political asset to any Chinese Government.

Although the overseas Chinese have generally remained aloof from local politics, they have been divided within their own organization along the political lines current in China. Thus at the present time they are divided chiefly into Nationalist and Communist groups. Even after such alignments have ceased to have meaning in China, it is possible that these groups will continue to foster them abroad. Meanwhile, it is probable that members of the Kuomintang will find refuge in Southeast Asia, bringing funds and personnel to carry on their tradition; and it is certain that Communist elements will endeavor to assure overseas Chinese adherence to their new government.

In the end it is expected that even anti-Communist minorities, after an attempt to remain neutral, will begin a cautious reassessment of their political allegiance and eventually attach themselves to the dominant government in China.

This tendency on the part of overseas Chinese may be increased if local governments in Southeast Asia seize upon the present unsettled period to bring their Chinese minorities under restrictive control with the object of reducing Chinese economic domination and furthering their own nationalist aims. A vigorous effort in this direction would oblige Chinese minorities to align themselves with any Government in China able to make effective diplomatic representations on their behalf. Furthermore, these overseas Chinese may support a Communist home Government simply to maintain personal and business ties with China.

3. Other Chinese Means of Exerting Influence in SEA.

While the techniques for extending influence through overseas Chinese may not produce immediate results, a Chinese Communist

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Government will be in a much stronger position than it has been to give direct support to local Communist movements in Southeast Asia. This could be accomplished by: (1) infiltrating agents into vulnerable areas to foment disorder and to direct or assist militant local Communist leaders; (2) supplying propaganda material, arms, ammunition, and money and (3) ultimately encroaching upon areas which are incapable of effective resistance, such as Siam, Indochina and Burma.

Since neither the USSR nor China at present depends on the resources of Southeast Asia to the extent that Western Powers do, the resultant unrest would not be a particularly dangerous development to them and would be in any case desirable. Furthermore, the Chinese Communists, along with the USSR, can be expected to pose as champions of Asiatic nationalism, an attitude that may be singularly effective on occasions when the Western Powers intervene in the area in an effort to restore stability or maintain influence.

4. Opportunity for Extension of Indian Influence in Southeast Asia.

During the time when the Chinese Communists are still consolidating their position in China, it is anticipated that India will take advantage of the lull to strengthen its bid for leadership in Asia. The Indonesian situation has already presented the initial opportunity for the creation of an Asian bloc under India's sponsorship. Such a development may also have adverse effects on US security interests in Southeast Asia since the US is continuing to be identified in Far Eastern minds both as the champion of a discredited regime in China and as an advocate of continued control by colonial powers in Southeast Asia. Ultimately, a successful extension of Indian influence in the area, even though not aligned with the USSR, might become an effective instrument of Soviet policy. As in the case of Soviet-oriented Chinese influence, this development may necessitate strong and sympathetic Western support of the many nationalist aspirations in Southeast Asia.

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